



COMPTROLLER'S INVESTIGATIVE REPORT

City of Kingston Parks and Recreation Department

February 10, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

February 10, 2021

City of Kingston Mayor
and Council Members
900 Waterford Place
Kingston, TN 37763

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of Kingston Parks and Recreation Department, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 9th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

City of Kingston Parks and Recreation Department

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Kingston Parks and Recreation Department. The investigation was limited to selected records for the period July 2016 through January 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 9th Judicial District.

BACKGROUND



The City of Kingston is the county seat of Roane County, Tennessee, and has a population of approximately 5,900 residents. The city provides a variety of services including police and fire protection, waste management services, street maintenance, and recreational events. Recreational activities such as volleyball, flag football, girls' softball, aquatics, and sports camps are among the opportunities offered by the city and are funded in part by participant fees.

The Parks and Recreation Director is responsible for overseeing the Parks and Recreation Department's day-to-day operations. In addition, the former Parks and Recreation Director (director) taught CPR/First-Aid classes and collected fees. The director utilized three bank accounts for fees, sponsorships, and donations. According to City of Kingston officials, these bank accounts were not maintained by city officials and were administered without their authorization. City of Kingston officials stated the director was hired in 2006 and resigned in January 2019. The director stated all three bank accounts existed when he was hired, and the finance department and city officials were aware of the bank accounts. According to bank information, two of the accounts were opened prior to the director's hire date in 2006.

RESULTS OF INVESTIGATION

- **THE FORMER CITY OF KINGSTON PARKS AND RECREATION DIRECTOR MADE PERSONAL, QUESTIONABLE, AND UNDOCUMENTED PURCHASES TOTALING AT LEAST \$19,388**

From July 2016 through January 2019, our investigation noted at least \$19,388 in personal, questionable, and undocumented purchases. During this period, the director had sole control of three bank accounts not maintained by the city and a debit card tied to these accounts with no oversight. The director was the only signature noted on disbursements. These transactions involved questionable purchases such as food, gift cards, and sporting goods, which the director did not

adequately document with itemized receipts or invoices; checks issued to the director; and cash withdrawals from department deposits. Investigators could not determine whether these transactions were exclusively for the benefit of the Parks and Recreation Department. Based on interviews and a review of the records, the director made personal, questionable, and undocumented purchases as noted below:

- A. The director made personal purchases totaling at least \$194 (\$204 less a \$10 Amazon credit) with city funds. The director advised he made the personal purchases at a fishing store and Amazon by mistake, and indicated he subsequently reimbursed the city with his personal funds. Due to the lack of documentation, investigators were unable to determine if the director reimbursed the department.
- B. The director made questionable purchases totaling at least \$13,494. Charges at grocery stores, sporting good stores, a tobacco store, and other retailers were paid without detailed invoices to document the goods and/or services purchased. Therefore, investigators could not determine whether these purchases were for the benefit of the Parks and Recreation Department.
- C. Investigators identified multiple gift cards purchased with city funds totaling at least \$1,017. The director advised that gift cards were periodically given to sporting event participants and departmental employees; however, the director did not/could not provide investigators any documentation indicating the identity of the gift card recipients.
- D. The director wrote checks to himself totaling at least \$3,528 during the period examined. He advised these payments were for compensation for refereeing games, teaching classes, reimbursements, change for events, supplies, etc.; however, the director did not/could not provide investigators any documentation to support these checks.
- E. Investigators noted \$1,155 cash withheld from deposits. The director did not/could not provide investigators supporting documentation for the use of the cash. The director advised the cash was used for purchases in the office and classes. Due to a lack of supporting documentation, investigators could not determine if the director used these funds for the benefit of the department or redeposited into a City of Kingston bank account.

12/03	SONIC #3489	KINGSTON	TN	15.66-
	POS PURCHASE			
12/03	6DOLLARSHIRTS.	8009912032	FL	70.76-
	POS PURCHASE			
12/04	MICHAELS STORE	KNOXVILLE	TN	21.74-
	POS PURCHASE			
12/06	FOOD CITY #653	KINGSTON	TN	5.33-
	POS PURCHASE			
12/06	WALGREENS 1797	HARRIMAN	TN	32.52-
	POS PURCHASE			
12/10	TST* THE OLD C	KINGSTON	TN	30.00-
	POS PURCHASE			
12/10	ULTA #631	KNOXVILLE	TN	30.00-
	POS PURCHASE			

Examples of unsupported and questionable purchases made by the director using Park and Recreation funds

Summary of Personal, Unsupported, and Questionable Transactions

Item	Description	Amount
A.	Personal Purchases	\$ 194
B.	Questionable Purchases	13,494
C.	Gift Card Purchases	1,017
D.	Unsupported Payments to the director	3,528
E.	Cash Withdrawals	<u>1,155</u>
	Total	\$ 19,388

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed internal control and compliance deficiencies in the Parks and Recreation Department. These deficiencies can be attributed to a lack of management oversight and the inadequate maintenance of accounting records.

Deficiency: The City of Kingston Parks and Recreation Department had numerous operating deficiencies

Investigators reviewed accounting records, bank statements, and available supporting documentation for the period examined and noted numerous operating deficiencies in disbursing and receiving collections as noted below:

- The director diverted city funds to three bank accounts not maintained by the city, thus, bypassing the city's budgetary and purchasing procedures. City of Kingston officials told investigators they were not aware of the three bank accounts administered by the director. However, the director advised that he inherited the bank accounts while he was director. It should be noted that two of the bank accounts were opened prior to the director's hire date of 2006. These three bank accounts should be immediately closed, and only bank accounts authorized by city officials should be used by the department.
- City officials and the director did not/could not provide investigators supporting documentation for most disbursements and other withdrawals made by the director from three bank accounts not maintained by the city. Requiring documentation, such as invoices or receipts, allows officials to verify all disbursements are proper. Officials should maintain adequate documentation to support all disbursements and withdrawals.
- City officials did not provide adequate oversight and did not separate incompatible financial duties. The director had sole custody of the three bank accounts not maintained by the city and a debit card tied to these accounts, allowing him to make transactions without oversight. City officials are responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. Separating financial duties and providing increased oversight reduces the risk that errors or intentional misappropriations will remain undetected.
- In some instances, Parks and Recreation Department employees failed to maintain adequate documentation of cash collections from donations, activities such as concession sales, and other athletic events and fees. Due to the lack of records and controls over beginning and outstanding inventory, as well as other funds received, investigators were unable to determine whether all collections went to the benefit of the City of Kingston and if all applicable funds were deposited to City of Kingston bank accounts. Failure to produce and retain adequate documentation increases the risk that errors or misappropriations will occur without prompt detection.
- Investigators identified content on a City of Kingston computer located in the director's office that was in violation of the city's computer use policy. Computer resources are the property of the city and should be used for legitimate business purposes.

City officials indicated that they have corrected these deficiencies.
